KEYSPAN ENERGY DELIVERY NEW ENGLAND
D.T.E. 05-68

FIRST SET OF INFORMATION REQUESTS OF THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO
KEYSPAN ENERGY DELIVERY NEW ENGLAND

DTE 1-13

Date: February 1, 2006

Respondent: Leo Silvestrini

Q. Please provide the gas adjustment factor for each KeySpan Energy New England affiliate for the past three calendar years. In the event that there is a discrepancy of more than ten percent among affiliates, explain the discrepancy.

A. Please see attachment detailing the gas adjustment factor (GAF) for each of Boston Gas Company, Colonial Gas Company- Lowell division, Colonial Gas Company Cape Cod Division and Essex Gas Company by month from 2003 through 2005. Prior to January 2005, the GAF for each affiliate was calculated independently based on pre-existing and differing CGA Clauses and historical portfolio costs. Specifically, each pre-existing CGA structure was designed to recover the demand charges associated with the transportation and underground storage contracts held by the LDC as a standalone entity, its company-specific costs of local production and storage and the commodity costs incurred for gas acquired on behalf of customers. Because the commodity costs incurred by each LDC depends upon the type of capacity resources held in the standalone resource portfolio, the cost of gas historically included in each CGA was a function of the pricing indices in place in the respective production and market areas from which the individual LDC was sourcing gas supply. Thus, the cost of gas historically charged to customers of Boston Gas, Colonial Gas and Essex Gas stems from the composition of the particular resource portfolio held by each LDC as a standalone entity. As a result, there was a variance in the GAF factors among the KeySpan New England affiliates during 2003 and 2004.

In DTE 04-62, KeySpan proposed and the DTE approved a consolidated CGA to fairly and appropriately attribute gas costs among the Massachusetts customers who are served by the Company's consolidated resource portfolio.

In DTE 04-62, the Company proposed to create a uniform GAF for the companies and correct the mismatch between the costs recovered from customers through the GAF, which was based on the ownership of resource contracts; and (2) the costs and benefits associated with the provision of gas service using the restructured portfolio. With the combined GAF, the Company aligned the resource use with cost recovery; thereby ensuring that the price charged to customers appropriately distributed the costs and benefits associated with the consolidated resource portfolio.

Recognizing that the implementation of the consolidated GAF will result in bill increases to Essex's customers, the DTE directed the Company to phase in the increase to Essex's customers over a two year period. As a result, the GAF's between Essex and the other KeySpan LDC's continued to vary by more than 10 percent for the period January 2005 through April 2005.